

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Iosco County Road Commission	County Iosco
Fiscal Year End 12/31/07	Opinion Date 05/09/08	Date Audit Report Submitted to State 05/26/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
- ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
- ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
- ☒ ☐ The local unit has adopted a budget for all required funds.
- ☒ ☐ A public hearing on the budget was held in accordance with State statute.
- ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
- ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
- ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
- ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
- ☒ ☐ The local unit is free of repeated comments from previous years.
- ☒ ☐ The audit opinion is UNQUALIFIED.
- ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
- ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
- ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	No issue to report this year	
Other (Describe):		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Gardner, Provenzano, Schauman & Thomas, P.C.		Telephone Number 989-790-3900		
Street Address 4855 State Street Suite Six		City Saginaw	State MI	Zip 48603
Authorizing CPA Signature 		Printed Name Heather A. Thomas		License Number 1101024719



**Gardner | Provenzano
Schauman & Thomas**

CERTIFIED PUBLIC ACCOUNTANTS

IOSCO COUNTY ROAD COMMISSION

Iosco, Michigan

Financial Statements

December 31, 2007



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CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

May 9, 2008

Members of the Board
of County Road Commissioners
of Iosco County
Iosco, Michigan

We have audited the accompanying financial statements of the governmental activities of the Iosco County Road Commission, a component unit of Iosco County, as of and for the year ended December 31, 2007, which comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Iosco County Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Iosco County Road Commission as of December 31, 2007, and the respective change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Board
of County Road Commissioners
of Losco County
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2008, on our consideration of the Losco County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The additional supplemental information is presented for purposes of additional analysis and is not a required part of financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of Losco County Road Commission and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Gardner, Pruvengano, Schauman & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**IOSCO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2007**

INTRODUCTION

The Iosco County Road Commission (ICRC), a component unit of Iosco County, is a special purpose government engaged in a single government program of road maintenance and construction in the County of Iosco, Michigan. Our discussion and analysis of the financial performance of the ICRC provides an overview of the ICRC's financial activities for the fiscal year ended December 31, 2007. Please read this in conjunction with the financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the ICRC as a whole and present a longer-term view of the ICRC's finances. We refer to these statements as government-wide statements. The fund level financial statements tell how the services the ICRC provided were financed in the short term as well as what remains for future spending. Because the ICRC is a single purpose government, and as allowed by GASB 34, fund financial statements are combined with government-wide statements and start on page 9.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the ICRC's finances is, "Is the Road Commission better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about Iosco County Road Commission as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Road Commission's net assets and the changes in net assets. You can think of the Road Commission's net assets, the difference between assets and liabilities, as one way to measure the Road Commission's financial health, or financial position. Over time, increases or decreases in the ICRC's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors to assess the overall health of the Road Commission.

The audited financial activities of ICRC are presented herein. These statements include the following:

- Statement of Net Assets and Governmental Fund Balance Sheet,

IOSCO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2007

**THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES
(CONT.)**

- Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets at December 31, 2007,
- Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance, and
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities for the Year Ended December 31, 2007.

CONDENSED FINANCIAL STATEMENTS

The table below shows a comparison of the net assets for the years ended December 31, 2007 and 2006 in a condensed format.

	Assets	2007	2006
General fund		\$ 3,635,024	\$ 3,731,051
Capital assets		14,474,443	11,872,882
Total Assets		<u>\$ 18,109,467</u>	<u>\$ 15,603,933</u>
	Liabilities		
General fund liabilities		\$ 1,230,748	\$ 683,850
Total Liabilities		<u>\$ 1,230,748</u>	<u>\$ 683,850</u>
	Net Assets		
Restricted		\$ 2,404,276	\$ 3,047,201
Invested in capital assets - net of related debt		14,474,443	11,872,882
Total Net Assets		<u>\$ 16,878,719</u>	<u>\$ 14,920,083</u>

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. The net assets are separated into two components, restricted for primary and local roads and investment in capital assets.

The Iosco County Road Commission's capital assets increased 21.91%, from \$11,872,882 at December 31, 2006 to \$14,474,443 for the year ended December 31, 2007. This increase was primarily due to additions of infrastructure. Liabilities increased by \$591,898 over 2006. This increase was due to the Jobs

**IOSCO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2007**

CONDENSED FINANCIAL STATEMENTS (CONT.)

Today Program, which funded 2008 construction contracts moved forward to completion in 2007. Two projects in Iosco County were moved forward, River Road and Bissonette Road, both in Oscoda Township.

Condensed Statement of Activities

Revenue	2007	2006
Federal and State Revenue	\$ 4,549,380	\$ 4,354,329
Contributions from Local units	913,910	930,601
Other, including charges for services	1,042,147	706,763
Total Revenue	<u>6,505,437</u>	<u>5,991,693</u>
Expenses		
Primary prevention/routine maintenance	980,948	1,722,423
Local prevention/routine maintenance	1,933,274	1,695,124
Trunkline	637,717	424,148
Administrative	422,177	420,024
Other	572,685	480,111
Total Expenses	<u>4,546,801</u>	<u>4,751,830</u>
Change in Net Assets	<u>\$ 1,958,636</u>	<u>\$ 1,239,863</u>

The Road Commission's revenue for the year ended December 31, 2007, increased 8.57% from \$5,991,693 to \$6,505,437. This growth was principally due to the additional charges for services.

The Road Commission's expenses for the year ended December 31, 2007 decreased by 4.3% from \$4,751,830 to \$4,546,801 as compared to the prior year. This decrease was in primary prevention and routine maintenance.

On a whole, the Iosco County Road Commission ended the year as planned.

THE ROAD COMMISSION'S FUNDS

For the year ended December 31, 2007, the fund balance decreased \$650,838 as compared to a decrease of \$519,829 in the fund balance for the year ended December 31, 2006. This was a planned reduction of fund balance with the increased expenditure of 26.85% in primary preservation and 14.05% in local preventative maintenance. Total revenues were \$6,505,437, an increase of \$513,744, as compared to last year. This change in revenues resulted primarily from an increase in Federal projects and local township contracts.

IOSCO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2007

THE ROAD COMMISSION'S FUNDS (CONT.)

Management believes that the fund balance provides sufficient working capital to meet current and future road project obligations and support continued operations of the Iosco County Road Commission.

BUDGET ANALYSIS

ORIGINAL BUDGET VERSUS AMENDED BUDGET

Prior to the beginning of the year, the ICRC's budget is compiled based on certain assumptions and facts available at that time. During the year, the ICRC Board amends the budget to reflect changes in those original assumptions; facts and/or economic conditions that were unknown or that had changed since the original budget was compiled. The original 2007 budget was adopted in December of 2006. The final revenue budget for the year ended December 31, 2007, was increased by \$68,095 for the following reasons:

- State and Federal revenue was decreased by \$705,145 due to a bridge project being postponed until 2008.
- Township revenue was increased by \$471,338 to reflect increased township projects.
- Trunk line maintenance and non-maintenance was increased by \$118,500 to reflect increased winter maintenance expenditure and additional projects requested by MDOT.
- Interest Income was increased by \$90,000.
- Special Assessments were reduced by \$103,190 due to a large project not being completed.
- Gain on disposal of equipment was increased \$57,500 due to a trade-in of a large piece of equipment.

The balance of the variances was from adjustments made to several individual revenue line items, none of which management considers significant.

The final amended expenditure budget for the year ended December 31, 2007 was \$14,977 less than the original budget for the following reasons:

- Primary Preservation was decreased to allow for the Turtle Road Bridge, which was postponed until 2008 construction year.
- Local Preservation and Preventative line items were adjusted to reflect the increased township improvement projects and required maintenance items that were required.

IOSCO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2007

BUDGET ANALYSIS (CONT.)

ORIGINAL BUDGET VERSUS AMENDED BUDGET (CONT.)

- Under MDOT contract the state trunk line maintenance and non-maintenance line items were increased during the budget year to facilitate additional MDOT projects and increased MDOT budget.
- Equipment rental was increased \$200,000 due to equipment use for local projects.

The balance of the variances were from adjustments made to several individual expenditure line items, none of which management considers significant.

AMENDED BUDGET VERSUS ACTUAL

The actual revenue for the year ended December 31, 2007 was less than the final budget by \$301,483 for the following reasons:

- Federal revenue was \$413,360 less than budgeted mainly due to the Blissonette Road project. This project was funded with federal high priority funds which will be paid over the next five year period. Per the Michigan Department of Treasury revenue will not be recognized until received. At the time the last budget was adopted, guidance from the Michigan Department of Treasury in regards to accounting for these funds was not yet available.
- The IRCC received \$79,267 more in trunkline maintenance revenue due to more than anticipated winter maintenance required during the December.

Total expenditures were less than budget by \$507,144 for the following reasons:

- Primary perseveration expenditures and local preservation expenditures were \$358,023 and \$43,833 less than anticipated due to final billings for certain projects coming in less than the engineering estimates.
- Indirect equipment expense and direct equipment expenses were less than budget in the amounts of \$76,460 and \$72,380 due to less than anticipated rise in fuel and oil prices along with less expenditure on parts and less repair of vehicles and machinery.

The remaining difference in revenue and expenditure were due to variances in several line items, none of which management considers significant.

IOSCO COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2007

CAPITAL ASSETS

ICRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, of \$14,474,443. This information, which includes infrastructure, is summarized below:

	2007	2006
Land and improvements	\$ 69,784	\$ 69,784
Buildings	1,834,326	1,834,326
Road equipment	6,264,284	5,782,547
Other equipment	282,567	247,489
Infrastructure assets	14,020,663	10,895,269
Total Capital Assets	22,471,624	18,829,415
Accumulated Depreciation	(7,997,181)	(6,956,533)
Net Capital Assets	<u>\$ 14,474,443</u>	<u>\$ 11,872,882</u>

Additional information regarding capital assets is located in the notes to the financial statements.

LONG-TERM DEBT

At year end, the ICRC's long-term debt consisted of compensated absences (accumulated sick and vacation pay) in the amount of \$270,820.

OTHER

Management is not aware of any currently known facts, decisions, or conditions expected to have a significant effect on next year or beyond on the Iosco County Road Commission's financial condition.

CONTACTING THE IOSCO COUNTY ROAD COMMISSION'S MANAGEMENT

This financial report is intended to provide our citizens and customers with a general overview of the Iosco County Road Commission's finances and to show the Iosco County Road Commission's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Financial Manager at 3939 West M-55, Tawas City, MI 48763.

BASIC FINANCIAL STATEMENTS

**IOSCO COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2007**

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash	\$ 265,843	\$ -	\$ 265,843
Investment	1,809,682	-	1,809,682
Accounts Receivable			
State Transportation Department	557,214	-	557,214
Trunkline	99,647	-	99,647
Due on County Road Agreement	29,651	-	29,651
Sundry	8,713	-	8,713
Due from Federal Government	281,250	-	281,250
Long Term Contract Receivable	135,850	-	135,850
Inventories			
Equipment materials and parts	95,651	-	95,651
Road materials	330,716	-	330,716
Other			
Deferred Engineering Expense	15,211	-	15,211
Deferred Expense Road Projects	5,596	-	5,596
Capital assets, net of accumulated depreciation	-	14,474,443	14,474,443
Total Assets	\$ 3,835,024	\$ 14,474,443	\$ 18,109,467
LIABILITIES			
Accounts payable	\$ 65,535	\$ -	\$ 65,535
Accrued liabilities	88,506	270,820	359,326
Advances	161,695	-	161,695
Due to State of Michigan	199,825	-	199,825
Advance from township	11,281	-	11,281
Deferred Revenue	432,100	-	432,100
Due to Other Governmental Units	986	-	986
Total Liabilities	959,928	270,820	1,230,748
FUND BALANCE/NET ASSETS			
Fund Balances:			
Restricted for County Roads	2,675,096	(2,675,096)	-
Total Fund Balance	2,675,096	(2,675,096)	-
Total Liabilities and Fund Balance	\$ 3,835,024		
Net Assets:			
Invested in capital assets, net of related debt		14,474,443	14,474,443
Restricted for County Roads		2,404,276	2,404,276
Total Net Assets		\$ 16,878,719	\$ 16,878,719

See accompanying notes to the basic financial statements.

**IOSCO COUNTY ROAD COMMISSION
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Total governmental fund balance	\$ 2,675,096
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	14,474,443
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(270,820)
Net Assets of Governmental Activities	<u>\$ 16,878,719</u>

See accompanying notes to the basic financial statements.

**IOSCO COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General Fund	Adjustments	Statement of Activities
Revenue			
Federal	\$ 703,615	\$ -	\$ 703,615
State	3,845,765	-	3,845,765
County	913,910	-	913,910
Other			
Interest earned	116,134	-	116,134
Special assessments	56,516	-	56,516
Licenses and permits	7,880	-	7,880
Sundry refunds	17,058	-	17,058
Charges for services	731,927	-	731,927
Miscellaneous	52,632	-	52,632
Gain (loss) equipment disposals	60,000	-	60,000
Total Revenue	<u>6,505,437</u>	<u>-</u>	<u>6,505,437</u>
Expenditures/expenses			
Primary preservation/structural improvements	2,031,127	(2,031,127)	-
Primary preventive/routine maintenance	980,948	-	980,948
Local preservation/structural improvements	1,094,267	(1,094,267)	-
Local preventive/routine maintenance	1,933,274	-	1,933,274
State trunkline maintenance	614,917	-	614,917
State trunkline non-maintenance	22,800	-	22,800
Administrative	422,177	-	422,177
Compensated absences	-	(7,913)	(7,913)
Net equipment expense	(62,417)	-	(62,417)
Net capital outlay			
Capital outlay	389,280	(389,280)	-
Depreciation	(426,444)	426,444	-
Depreciation	-	483,783	483,783
Depreciation on salt sheds	-	2,886	2,886
Other	156,346	-	156,346
Total Expenditures/expenses	<u>7,156,275</u>	<u>(2,609,474)</u>	<u>4,546,801</u>
Excess of Revenue Over (Under) expenditures/expenses	(650,838)	650,838	-
Change in Net Assets	-	1,958,636	1,958,636
Fund Balance - Beginning of Year,	3,325,934	(3,325,934)	-
Net Assets - Beginning of Year	-	14,920,083	14,920,083
Fund Balance/Net Assets - End of Year	<u>\$ 2,675,096</u>	<u>\$ 14,203,623</u>	<u>\$ 16,878,719</u>

See accompanying notes to the basic financial statements.

IOSCO COUNTY ROAD COMMISSION
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2007

Net change in fund balance—total governmental funds	\$ (650,838)
Amounts reported for governmental activities in the statement are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	3,088,230
Governmental funds do not record depreciation as an expense	(486,669)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (change in compensated absences)	7,913
Change in net assets of governmental activities	<u>\$ 1,958,636</u>

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

**IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Iosco County Road Commission's financial statements are prepared in accordance with United States generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with GASB pronouncements. The more significant accounting policies established in GAAP and used by the ICRC are discussed below.

Reporting Entity

The ICRC is governed by a three-member board of County Road Commissioners appointed by the Iosco County Board of Commissioners. The ICRC is a component unit of the Iosco County.

Based upon GASB Statement 14, which establishes criteria for determining the reporting entity, these financial statements present the Iosco County Road Commission, a discretely presented component unit of Iosco County, and include the ICRC's general operations fund.

Basic Financial Statements – Government-Wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Road Commission. The Road Commission consists solely of government-type activities; no business-type activities exist.

This government-wide approach is focused more on the sustainability of the ICRC as an entity and the change in the Commission's net assets from the current year's activities.

Basic Financial Statement – Fund Financial Statements

The accounts of the Commission are organized on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Commission's operations are accounted for in one fund, the general operations fund.

IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The ICRC considers revenues as available if they are collected soon after year-end.

Cash and Investments

Cash and cash equivalents are considered to be cash on hand and demand deposits.

Accounts Receivable

Accounts receivable are primarily amounts due from other governmental units.

Inventories and Prepaid Items

Inventories consist of equipment parts and road materials and are valued at the lower of cost or market. Inventory items are charged to road construction, maintenance, equipment repairs and operations as they are used.

IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Capital Assets and Depreciation

Capital assets purchased are reported at historic cost. Contributed assets are reported at fair market value when received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are capitalized and depreciated according to State guidelines. Depreciation is computed on the sum-of-the-year's-digits methods for road equipment and straight-line method for all other capital assets over the following estimated useful lives:

	<u>Years</u>
Buildings	25 - 50
Road equipment	5 - 8
Other equipment	4 - 20
Infrastructure	5 - 50

GASB 34 requires the ICRC to report and depreciate infrastructure assets in its government-wide statements. Infrastructure assets include roads, bridges, traffic signals, etc.

Compensated Absences (vacation and sick leave)

It is the policy of the ICRC to permit employees to accumulate earned but unused sick and vacation pay benefits.

Budgets and Budgetary Accounting

The Road Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

- A budget is adopted by the Board of County Road Commissioners of Iosco County prior to December 31 of each year. The budget includes proposed expenditures and a means of financing them.
- The Iosco County Road Commission approved budget is then submitted to the Iosco County Board of Commissioners.
- The budget is prepared by the Road Commission on a basis consistent with U.S. generally accepted accounting principles and revised as deemed necessary during the year.
- Budgets are prepared using the modified accrual basis of accounting.
- The budgetary information presented has been amended throughout the year.

IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Law requires budget amendments as needed to prevent actual expenditures from exceeding those provided in the budget. Expenditures, which exceeded appropriations, are illustrated in required supplemental information.

NOTE 2-CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Road Commission to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

All special revenue fund investments are held in the name of the Iosco County Treasurer; therefore, the insured amount of Road Commission investment is not determinable. Since the County has in excess of the \$100,000 limits, all Road Commission investments are presumed to be uninsured. The Road Commission has adopted the Investment Policy of the County.

The ICRC's deposits are categorized below according to level of credit risk:

- Category 1 represents the ICRC's insured or collateralized deposits with securities held by the ICRC or by its agent in the ICRC's name.
- Category 2 represents the ICRC's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the ICRC's name.
- Category 3 represents the ICRC's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the ICRC's name.

**IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2—CASH AND INVESTMENTS (CONT.)

The balance of cash and investments at December 31, 2007 is as follows:

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Demand deposits	\$ 100,000	\$ -	\$ 183,647	\$ 283,647	\$ 285,443
Investments	-	-	1,809,682	1,809,682	1,809,682
Cash on hand	-	-	-	-	400
Totals	\$ 100,000	\$ -	\$ 1,993,329	\$ 2,093,329	\$ 2,095,525

NOTE 3—CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the year are as follows:

	Balance 1/1/2007	Additions	Retirements	Balance 12/31/2007
Capital Assets Not Being Depreciated				
Land	\$ 39,185	\$ -	\$ -	\$ 39,185
Land improvements	30,619	-	-	30,619
Total Land and Improvements	69,784	-	-	69,784
Other Capital Assets				
Buildings and improvements	1,834,326	-	-	1,834,326
Road equipment	5,782,547	367,285	114,452	6,264,284
Shop equipment	70,943	-	8,959	79,902
Engineering equipment	24,270	-	-	24,270
Yard and storage equipment	105,382	16,037	-	121,419
Office equipment and furniture	48,894	5,958	4,124	56,976
Infrastructure and improvements	10,895,289	3,125,394	-	14,020,683
Total Other Capital Assets	18,759,631	3,514,674	127,535	22,401,840
Total Capital Assets	18,829,415	3,514,674	127,535	22,471,624
Accumulated Depreciation				
Land improvements	16,185	3,061	-	19,246
Buildings and improvements	959,107	36,687	-	995,794
Road equipment	4,872,084	374,568	114,452	5,361,102
Shop equipment	65,107	1,610	8,959	75,676
Engineering equipment	19,745	1,874	-	21,619
Yard and storage equipment	93,636	8,870	-	102,506
Office equipment and furniture	44,572	2,662	4,124	51,358
Infrastructure and improvements	886,097	483,783	-	1,369,880
Total Accumulated Depreciation	6,956,533	913,113	127,535	7,997,181
Total Net Capital Assets	\$ 11,872,882	\$ 2,601,561	\$ -	\$ 14,474,443

IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4--LONG-TERM LIABILITIES

Long-term liabilities consist solely of accrued compensated absences payable.

Following is a summary of the changes in long-term liabilities for the year ended December 31, 2007:

	Balance 1/1/2007	Increase	Decrease	Balance 12/31/2007
Accrued compensated absences	\$ 278,733	\$ 12,960	\$ (20,873)	\$ 270,820
Total	\$ 278,733	\$ 12,960	\$ (20,873)	\$ 270,820

NOTE 5--UNEMPLOYMENT COMPENSATION

The Road Commission is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Road Commission must reimburse the Michigan Employment Security Commission for all benefits charged against the Road Commission. There was no unemployment expense for the year ended December 31, 2007.

NOTE 6--PENSION PLAN

Plan Description

The Road Commission's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 427 of the Public Acts of 1984, as amended by 1996 PA 220, establishes and amends the benefit provisions of the participants in MERS. The fiscal year for the retirement plan ends December 31. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6—PENSION PLAN (CONT.)

Funding Policy

The Road Commission is required to contribute at an actuarially determined rate based on covered payroll; the rate at December 31, 2007 was 6.81% for hourly employees and 13.94% for salaried employees. The ICRC's hourly employees are required to contribute 6.7% of annual compensation and salaried employees are required to contribute 8.97% of annual compensation. The contribution requirements of the Road Commission are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members, if any, are established and may be amended by the Road Commission depending on the MERS contribution program adopted by the Road Commission.

Annual Pension Cost

For the year ended December 31, 2007, the Road Commission's annual pension cost was \$139,766, which is equal to the required contribution. The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) an assumed rate of investment return which is used to discount liabilities and project what plan assets will earn investment of present and future assets of 8.0%, (b) a mortality table projecting the number of employees who will die before retirement and the duration of benefit payments after retirement, (c) assumed retirement rates projected when employees will retire and commence receiving benefits, (d) a set of withdrawal and disability rates to estimate the number of employees who will leave the work force before retirement, and (e) assumed rates of salary increases to project employees compensation in future years. The actuarial value of MERS assets was determined on a basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value.

Three-year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2005	\$ 127,971	100%	-
12/31/2006	\$ 139,766	100%	-
12/31/2007	\$ 146,931	100%	-

IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6-PENSION PLAN (CONT.)

Schedule of Funding Progress

		Actuarial	Unfunded			UAAL
		Accrued	(Over			as a
	Actuarial	Liability	Funded)			% of
Actuarial	Value of	Entry Age	AAL	Funded	Covered	Covered
Valuation	Assets		(UAAL)	Ratio	Payroll	Payroll
Date	(a)	(b)	(b-a)	(a/b)	(c)	(b-a) / (c)
12/31/2004	\$ 4,254,984	\$ 8,147,406	\$ 1,892,422	69%	\$1,501,355	126%
12/31/2005	\$ 4,567,528	\$ 8,521,671	\$ 1,954,143	70%	\$1,489,715	133%
12/31/2006	\$ 4,942,630	\$ 8,857,856	\$ 1,915,226	72%	\$1,521,651	126%

NOTE 7-RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The commission manages its workers' compensation through County Road Association Self-Insurance Fund (CRASIF). The commission manages all other risks by participating in Michigan County Road Commission Self-Insurance Pool (MCRCSIP) Both CRASIF and MCRCSIP are trust funds established by the road commissions in the State of Michigan. The MCRCSIP and CRASIF are a public entity risk pools currently operating as a common risk management and insurance program. The commission pays an annual premium to MCRCSIP and CRASIF for its liability coverage. The MCRCSIP and CRASIF are self-sustaining through member premiums and provide reinsurance through commercial companies for claims in excess of certain limits.

NOTE 8-LITIGATION

The Road Commission is a party to various legal proceedings, which normally occur in governmental operations for which the Road Commission carries commercial insurance.

NOTE 9-POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 6, the Iosco County Road Commission provides post-employment health, dental and life insurance benefits, in accordance with employee working agreements, to all employees who retire at the age of 60 until they reach full social security retirement age.

For those employees who terminate without retirement, healthcare benefits are terminated. At that time, the former employee has continuation rights to health insurance coverage under the COBRA law of 1985.

IOSCO COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 9-POST-EMPLOYMENT BENEFITS (continued)

During the year ended December 31, 2007, retirees' health insurance was provided as BCBSM PPO Option 1 with a \$10-40 drug card. The ICRC paid for approximately 50% of the cost of coverage for retirees and surviving spouses eligible to participate in the group plan. The remainder of the premium was paid by the retiree. For the year ended December 31, 2007, two employees met the eligibility requirements for this benefit.

Once a retiree reaches full social security retirement age, the ICRC reimburses up to \$400 for medical expenses not covered by insurance within the calendar year. For the year ended December 31, 2007, twenty-five retirees were eligible for this benefit.

Expenditures for post-employment healthcare are recognized as claims and premiums are paid. During the year ended December 31, 2007, the cost for claims and premiums for retirees and surviving spouses was \$20,297.

NOTE 10-RESTRICTED ASSETS

The restricted asset balance of \$15,000 is being held for future maintenance on a sub-division railroad crossing.

NOTE 11-FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2007, the Federal aid received and expended by the Road Commission was \$703,615 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the road commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended \$500,000 or more for negotiated projects.

REQUIRED SUPPLEMENTAL INFORMATION

IOSCO COUNTY ROAD COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Original Budget	Final Budget	Actual	Actual Vs. Final Budget Favorable (Unfavorable)
Revenues				
Federal	\$ 1,000,000	\$ 1,116,975	\$ 703,615	\$ (413,360)
State	991,325	169,205	169,205	-
MTF	3,600,000	3,600,000	3,603,264	3,264
State forest road funds	73,000	73,296	73,296	-
County				
Township	400,000	871,338	889,985	18,647
US forest service contribution	20,000	23,925	23,925	-
Other				
Trunkline maintenance	404,000	500,000	579,267	79,267
Trunkline non-maintenance	-	22,500	22,500	-
Non-certified road maintenance	25,000	124,808	124,887	79
Other contributions	25,000	8,000	52,632	46,632
Special assessments	150,000	46,810	56,516	9,706
Interest	25,000	115,000	116,134	1,134
Licenses and permits	8,000	7,880	7,880	-
Gain on disposal of equipment	2,500	60,000	60,000	-
Miscellaneous revenue	15,000	69,183	22,331	(46,852)
Total Revenues	6,738,825	6,806,920	6,505,437	(301,483)
Expenditures				
Primary preservation/structural improvements	3,414,896	2,389,150	2,031,127	358,023
Primary preventive/routine maintenance	1,129,375	988,250	980,948	7,302
Local preservation/structural improvements	718,125	1,138,100	1,094,267	43,833
Local preventive/routine maintenance	1,361,250	1,975,500	1,933,274	42,226
State Trunkline Maintenance	404,000	550,000	614,917	(64,917)
State Non-Maintenance	-	22,800	22,800	-
Administrative	487,500	395,000	422,177	(27,177)
Indirect Equipment Expense	452,000	484,000	407,540	76,460
Direct Equipment Expense	756,250	790,000	717,620	72,380
Operating Expense (Fuel & Oil)	350,000	350,000	310,289	39,711
Less Equipment Rentals	(1,300,000)	(1,500,000)	(1,497,866)	(2,134)
Capital Outlay	330,000	387,414	389,280	(1,866)
Less Depreciation Credits	(450,000)	(450,000)	(426,444)	(23,556)
Non-Certified Road Maintenance	25,000	143,205	156,346	(13,141)
Total Expenditures	7,678,396	7,663,419	7,156,275	507,144
Excess of Revenues Over (Under) Expenditures	(939,571)	(856,499)	(650,838)	205,661
Fund Balance, Beginning of Year	3,325,934	3,325,934	3,325,934	-
Fund Balance, End of Year	\$ 2,386,363	\$ 2,469,435	\$ 2,675,096	\$ 205,661

See independent auditor's report on supplementary information.

ADDITIONAL SUPPLEMENTAL INFORMATION

IOSCO COUNTY ROAD COMMISSION
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE--GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Appropriated		County	
	Primary	Local	Roads	Total
	Roads	Roads		
Revenues				
Federal				
Surface transportation program	\$ 540,288	\$ -	\$ -	\$ 540,288
High Priority	88,610	-	-	88,610
Hazard Elimination-S	74,717	-	-	74,717
Total federal	<u>703,615</u>	<u>-</u>	<u>-</u>	<u>703,615</u>
State				
Engineering	6,050	3,950	-	10,000
Urban road	265,538	138,972	-	404,510
Allocation	1,931,644	1,256,297	-	3,187,941
Snow removal	813	-	-	813
Jobs Today	169,205	-	-	169,205
Forest funds	73,296	-	-	73,296
Total State	<u>2,448,546</u>	<u>1,399,219</u>	<u>-</u>	<u>3,845,765</u>
County				
Township	-	889,985	-	889,985
Public contributions	-	23,925	-	23,925
Total County	<u>-</u>	<u>913,910</u>	<u>-</u>	<u>913,910</u>
Other				
Interest earned	65,035	22,065	29,034	116,134
Special assessments	-	56,516	-	56,516
Licenses and permits	-	-	7,880	7,880
Sundry refunds	-	17,058	-	17,058
Charges for services	-	-	731,827	731,827
Miscellaneous	-	52,632	-	52,632
Gain (loss)				
equipment disposals	26,412	17,188	14,400	60,000
Total Other	<u>93,447</u>	<u>185,459</u>	<u>783,241</u>	<u>1,042,147</u>
Total Revenues	<u>\$ 3,243,608</u>	<u>\$ 2,478,588</u>	<u>\$ 783,241</u>	<u>\$ 6,505,437</u>

See independent auditor's report on supplementary information.

**IOSCO COUNTY ROAD COMMISSION
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE—GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

Expenditures	Appropriated		County Roads	Total
	Primary Roads	Local Roads		
Preservation-structural improvements	\$ 2,031,127	\$ 1,094,267	\$ -	\$ 3,125,394
Preventive-routine maintenance	980,948	1,933,274	-	2,914,222
Other				
Trunkline maintenance	-	-	614,917	614,917
Trunkline nonmaintenance	-	-	22,800	22,800
Administration	210,548	211,629	-	422,177
Equipment	290,599	911,617	233,233	1,435,449
Less: equipment rental	(303,232)	(951,258)	(243,376)	(1,497,866)
Capital outlay	289,000	15,000	85,280	389,280
Less: depreciation credits and retirements	(201,937)	(122,161)	(102,346)	(426,444)
Non certified road main.	-	-	64,491	64,491
Other	-	-	91,855	91,855
Total other expenditures	284,978	64,827	766,854	1,116,659
Total expenditures	3,297,053	3,092,368	766,854	7,156,275
Excess of revenue over (under) expenditures	(53,445)	(613,780)	16,387	(650,838)
Other financing sources (uses)				
Optional transfer	(300,000)	300,000	-	-
Optional transfer	-	200,000	(200,000)	-
Fund Balance, Beginning	1,877,552	631,898	816,484	3,325,934
Fund Balance, Ending	<u>\$ 1,524,107</u>	<u>\$ 518,118</u>	<u>\$ 632,871</u>	<u>\$ 2,675,096</u>

See independent auditor's report on supplementary information.

IOSCO COUNTY ROAD COMMISSION
SCHEDULE OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Number</u>	<u>Federal Expenditures</u>
U. S. Department of Transportation Highway Research, Planning and Construction <u>Michigan Department of Transportation</u>	20.205		
		82667	\$ 446,538
		88932	88,610
		87677	168,467
Total Pass-Through			<u>\$ 703,615</u>

Note: Federal financial assistance, received under the highway planning and construction program, in the amount of \$703,615 was administered by the State of Michigan. The Road Commission has no responsibilities regarding fiscal or compliance controls over such assistance.

See independent auditor's report on supplementary information.



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

May 9, 2008

Members of the Board
of County Road Commissioners
of Iosco County
Iosco, Michigan

We have audited the financial statements of the governmental activities of the Iosco County Road Commission, a component unit of Iosco County, as of and for the year ended December 31, 2007, which collectively comprise the financial statements of the Iosco County Road Commission and have issued our report thereon dated May 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iosco County Road Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Iosco County Road Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iosco County Road Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the losco County Road Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of losco County Road Commission's financial statements that is more than inconsequential will not be prevented or detected by losco County Road Commission's internal control. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting.

We noted an absence of appropriate segregation of duties consistent with appropriate control objectives.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the losco County Road Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether losco County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Members of the Board
of County Road Commissioners
of Iosco County
Page Three
May 9, 2008

This report is intended for the information of management and the Board of County Road Commissioners. However, this report is a matter of public record and its distribution is not limited.

Gardner, Provengaro, Schauman & Thomas, P.C.

Certified Public Accountants